AMERICAN VANADIUM CORP.

CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2015

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
American Vanadium Corp.

We have audited the accompanying consolidated financial statements of American Vanadium Corp., which comprise the consolidated balance sheets as at December 31, 2015 and 2014 and the consolidated statements of loss and comprehensive loss, changes in shareholders' (deficiency) equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of American Vanadium Corp. as at December 31, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about American Vanadium Corp.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Professional Accountants

April 27, 2016

AMERICAN VANADIUM CORP.
CONSOLIDATED BALANCE SHEETS
IN CANADIAN DOLLARS

	December 31 2015	December 31 2014
	$	$
ASSETS		
Current assets		
Cash	**180,076**	78,413
Amounts receivable	**3,240**	42,826
Prepaid expenses (Note 4)	**6,417**	131,459
Total current assets	**189,793**	252,698
Equipment and deposits on equipment (Note 5)	**-**	31,508
Reclamation deposit	**37,385**	178,937
Mineral properties (Note 6)	**1**	41,637
Total assets	**227,119**	504,780
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	**5,334,451**	2,268,093
Shareholder loan (Note 7)	**200,000**	-
Total liabilities	**5,534,451**	2,268,093
Shareholders' deficiency		
Share capital (Note 8)	**30,398,693**	30,100,545
Subscription receipts (Note 8)	**64,427**	-
Equity reserves	**3,905,391**	3,939,532
Deficit	**(39,675,843)**	(35,803,390)
Total shareholders' deficiency	**(5,307,332)**	(1,763,313)
Total liabilities and shareholders' deficiency	**227,119**	504,780

Basis of presentation and continuance of operations (Note 2)

On behalf of the Board:

Signed: "William Radvak" Director

Signed: "Brian E. Bayley" Director

The accompanying notes are an integral part of these consolidated financial statements.

AMERICAN VANADIUM CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
IN CANADIAN DOLLARS

	For the year ended December 31	For the year ended December 31
	2015	2014
	$	$
Exploration and evaluation expenses (Note 6)	**(287,148)**	(2,638,121)
General and administrative expenses:		
Salaries and benefits (Note 9)	**381,941**	1,427,172
Consulting (Note 9)	**164,620**	991,667
Office facilities and administrative services, net of recoveries (Note 9)	**143,628**	206,221
Office and sundry	**67,729**	142,536
Transfer agent, listing and filing fees	**48,874**	60,325
Audit and legal	**35,162**	117,039
Stock-based compensation (Notes 8 and 9)	**(34,386)**	717,713
Travel	**30,822**	270,887
Amortization (Note 5)	**24,362**	28,627
Investor relations and shareholder information	**15,280**	102,941
CellCube demonstration	**-**	134,542
Total general and administrative expenses	**(878,032)**	(4,199,670)
Impairment of CellCube units (Note 4)	**(2,372,722)**	(412,921)
Impairment of mineral properties (Note 6)	**(294,835)**	(2,111,926)
Foreign exchange loss	**(113,767)**	(203,910)
Write-off of accounts payable and accrued liabilities (Note 7)	**73,942**	-
Write-off of expense advance	**(10,000)**	-
Other income	**9,949**	-
Interest income	**160**	7,043
Impairment of equipment and deposits on equipment (Note 5)	**-**	(1,004,036)
Net loss and comprehensive loss	**(3,872,453)**	(10,563,541)
Basic and diluted loss per share (Note 14)	**(0.06)**	(0.18)

The accompanying notes are an integral part of these consolidated financial statements.

AMERICAN VANADIUM CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' (DEFICIENCY) EQUITY
IN CANADIAN DOLLARS

	Share Capital	Subscription Receipts	Equity Reserves	Deficit	Total
	$	**$**	**$**	**$**	**$**
Balance, December 31, 2013	24,097,538	-	3,493,384	(25,239,849)	2,351,073
Private placements, net of share issuance costs	5,710,958	-	12,204	-	5,723,162
Exercise of warrants	9,674	-	(1,394)	-	8,280
Stock-based compensation	282,375	-	435,338	-	717,713
Net comprehensive loss for the year	-	-	-	(10,563,541)	(10,563,541)
Balance, December 31, 2014	30,100,545	-	3,939,532	(35,803,390)	(1,763,313)
Private placements, net of share issuance costs	202,100	-	245	-	202,345
Funds received for shares issued subsequent to year end	-	64,427	-	-	64,427
Shares issued for settlement of accounts payable	93,648	-	-	-	93,648
Shares issued on termination of consulting contract	2,400	-	-	-	2,400
Stock-based compensation	-	-	(34,386)	-	(34,386)
Net comprehensive loss for the year	-	-	-	(3,872,453)	(3,872,453)
Balance, December 31, 2015	**30,398,693**	**64,427**	**3,905,391**	**(39,675,843)**	**(5,307,332)**

The accompanying notes are an integral part of these consolidated financial statements.

AMERICAN VANADIUM CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
IN CANADIAN DOLLARS

	For the year ended December 31 2015	For the year ended December 31 2014
	$	$
CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES		
Net loss	**(3,872,453)**	(10,563,541)
Items not involving cash:		
Impairment of CellCube units	**2,372,722**	-
Impairment of mineral properties	**294,835**	2,111,926
Unrealized foreign exchange loss (gain)	**111,426**	(95,174)
Write-off of accounts payable and accrued liabilities	**(73,942)**	-
Stock-based compensation	**(34,386)**	717,713
Amortization	**24,362**	28,627
Write-off of expense advance	**10,000**	-
Expenses settled through the issuance of shares	**2,400**	-
Other income	**(9,949)**	-
Impairment of equipment and deposits on equipment	**-**	1,004,036
Changes in non-cash working capital balances:		
Accounts payable and accrued liabilities	**496,600**	17,795
Prepaid expenses	**125,042**	18,986
Amounts receivable	**29,586**	8,814
Non-operating income:		
Interest income	**(160)**	(7,043)
Net cash used in operating activities	**(523,916)**	(6,757,861)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Decrease (increase) in reclamation deposit	**141,552**	(8,982)
Proceeds from sale of equipment	**17,095**	-
Interest income	**160**	7,043
Purchase of equipment and payment of equipment deposit	**-**	(117,847)
Mineral property acquisition costs	**-**	(236,279)
Net cash from (used in) investing activities	**158,807**	(356,065)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares, net of issuance costs	**202,345**	5,731,442
Proceeds from shareholder loan	**200,000**	-
Subscription funds received, net of issuance costs	**64,427**	-
Net cash from financing activities	**466,772**	5,731,442
Change in cash for the year	**105,176**	(1,382,484)
Cash, beginning of year	**78,413**	1,460,897
Cash, end of year	**180,076**	78,413

Supplemental Cash Flow Information

Non-cash financing activities

- During the year ended December 31, 2015, the Company settled accounts payable of $93,648 through the issuance of common shares.
- During the year ended December 31, 2015, the Company issued share purchase warrants valued at $245 (2014 - $12,204) as payment for agents' and finders' fees related to various private placements of common shares, which are recorded as share issuance costs.
- During the year ended December 31, 2014, the Company issued common shares valued at $282,375 to certain employees for bonus or stock-based compensation arrangements.
- During the year ended December 31, 2014, $1,394 was reclassified from equity reserves to share capital on the exercise of warrants.

Income taxes and interest paid

- During the years ended December 31, 2015 and 2014, the Company did not receive or pay any amounts for income taxes.

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS

American Vanadium Corp. (the "Company"), incorporated under the *Canada Business Corporations Act*, is the Master Sales Agent in North America for the CellCube vanadium redox flow energy system ("CellCube"), produced by Gildemeister Energy Solutions, Cellstrom GmbH ("Gildemeister") of Germany. The CellCube is a commercially available vanadium flow battery capable of delivering long-duration energy storage for a broad range of applications, such as renewable energy integration and the reduction of demand charge tariffs levied by utilities.

In addition to marketing CellCube units, the Company has claims in the Gibellini Property ("Gibellini"), a vanadium deposit located in Eureka County, Nevada, which will expire in 2016 unless lease agreements are renewed or claim maintenance payments are made.

The address of the Company's principal place of business is Suite #1703, 595 Burrard St., Vancouver, British Columbia, Canada, and its shares trade on the TSX-Venture Exchange (the "Exchange") under the symbol "AVC".

2. BASIS OF PRESENTATION AND CONTINUANCE OF OPERATIONS

Statement of compliance

These consolidated financial statements, including comparative periods, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements have been prepared in accordance with IFRS in effect as at December 31, 2015. Significant accounting policies and the applicable basis of measurement used in the preparation of these consolidated financial statements are described in Note 3.

These consolidated financial statements were authorized by the Board of Directors on April 27, 2016.

Going concern

These consolidated financial statements have been prepared on the assumption that the Company will continue on a going concern basis. However, the Company has generally incurred losses and negative operating cash flows since its incorporation, and as at December 31, 2015, the Company had a working capital deficit of $5,344,658 (2014 - $2,015,395) and had a shareholders' deficiency of $5,307,332 (2014 - $1,763,313).

Historically, the Company has accessed equity markets for financing, but in 2015 the Company was unable to raise the amounts required to fund its operations and, as a result, it curtailed its operating activities. In light of the Company's current financial position and challenging access to capital, there can be no assurance that the Company will be able raise additional funds, in which case the Company may be unable to meet its financial obligations. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies are those policies which the Company has applied for its consolidated financial statements for the years ended December 31, 2015 and 2014. These policies have been applied consistently to all periods presented in these consolidated financial statements.

Basis of consolidation

These consolidated financial statements include the balances and results of the Company and those entities over which the Company exercises control. Control is achieved where the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain the benefits from its operations.

These consolidated financial statements include the assets, liabilities, income and expenses of the Company and its wholly-owned U.S. subsidiary, American Vanadium US Inc. All intercompany transactions and balances have been eliminated on consolidation. Unless otherwise indicated, all amounts are reported in Canadian dollars.

Basis of measurement and presentation currency

The balances in these consolidated financial statements are prepared using the accrual basis of accounting and have been measured on a historical cost basis, except for cash flow information and financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value.

These financial statements are presented in Canadian dollars, which is also the functional currency of the Company and American Vanadium US Inc.

Government grants

From time to time, the Company may receive grants from governments or government agencies towards the purchase and installation of demonstration CellCube units. When the Company has performed requisite activities and it is virtually certain that these grants will be received, the Company accrues the grants receivable with the offset being recorded as a reduction to the cost base for installations that it records as assets, and as income for other installations.

Foreign currency translation

The functional currency, the primary currency in which an entity operates, is determined for the Company and its consolidated subsidiary. Balances and transactions that are denominated in currencies other than the functional currency are translated to the functional currency as follows:

- Revenue and expense items are translated at the foreign exchange rates prevailing on the dates they occur.
- Non-monetary assets and liabilities are translated at historical foreign exchange rates, unless such items are carried at market value, in which case they are translated at the exchange rate in effect at period end.
- Monetary assets and liabilities are translated at the foreign exchange rate in effect at period end.

Gains and losses arising from changes to the exchange rates used to translate foreign-denominated balances and transactions into the functional currency are recorded as a component of profit or loss in the period in which they occur.

Financial instruments

Financial instruments consist of financial assets and financial liabilities and are initially recognized at fair value net of transaction costs, if applicable. Measurement in subsequent periods depends on whether the financial instrument has been classified as “fair value through profit or loss,” “loans and receivables,” “available-for-sale,” “held-to-maturity,” or “other financial liabilities” as follows:

i) Financial assets

Financial assets classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized in profit or loss for the period in which such gains or losses occur. The Company’s cash is classified as fair value through profit or loss.

Financial assets classified as loans and receivables and held-to-maturity are measured at amortized cost using the effective interest rate method. Under this method, all cash flows from these instruments are discounted, where material, to their present value. Over time, this present value is accreted to the future value of remaining cash flows, and this accretion is recorded as interest income. The Company’s amounts receivable and reclamation deposit are classified as loans and receivables and no financial assets have been classified as held-to-maturity.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. Upon disposal of an available-for-sale financial asset, any accumulated other comprehensive income (loss) at the time of disposal is recognized in profit or loss. No financial assets have been classified as available-for-sale by the Company.

Transaction costs associated with fair value through profit or loss financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets.

ii) Financial liabilities

For financial liabilities classified as other financial liabilities measured at amortized cost using the effective interest rate method, all cash flows from these instruments are discounted, where material, to their present value. Over time, this present value is accreted to the future value of remaining cash flows, and this accretion is recorded as interest expense. The Company’s accounts payable and accrued liabilities and shareholder loans are classified as financial liabilities measured at amortized cost, but as the terms of payment are generally of short duration, they are recorded at future value as the impact of discounting is immaterial.

Reclamation deposits

Regardless of whether an actual liability for the reclamation of mineral properties exists, the Company classifies amounts deposited with environmental agencies or amounts held as security for potential reclamation liabilities separately from cash.

Equipment

Equipment is recorded at cost less accumulated amortization. Cost includes the purchase price of the equipment and the directly related costs to transport or prepare the equipment for its intended use. Once an asset is considered to be ready for use, amortization is recorded on a straight-line basis over three to five years, which represents the estimated useful lives of the assets.

Mineral properties

The Company's accounting policy for mineral property costs is dependent on the stage of the properties to which the costs relate. All capitalized costs are attributed to the individual mineral properties to which they relate.

Acquisition costs

All costs incurred to acquire or maintain mineral property rights are capitalized to the relevant property. These costs are not depleted until the property reaches production.

Exploration and evaluation expenses

Costs related to the exploration and evaluation of properties for which no technically or economically feasible reserves have been identified are recorded as an expense in the period incurred. The Company determines that technical and economic feasibility exists when:

- a feasibility study, prepared in accordance with professional geological standards, defines a proven mineral reserve body;
- the Company intends to recover the mineral reserves through mining activity or sale of mineral rights; and
- the Company has sufficient financing available to develop a mine.

Development costs

When technical and economic feasibility exists for a certain property, all costs incurred to further prepare and develop a mine, or to ready the reserve rights for sale, are capitalized. Such costs may include interest on debt financing required to construct a mine or general and overhead expenses that are directly attributable to the property. These capitalized costs are not subject to depletion until such time as the mine is ready for production or the mineral rights are saleable, at which point they are depleted on a unit-of-production basis over the estimated recoverable reserves of each property.

Post-development costs

After a mine is ready for production or mineral reserves are saleable, all costs, including interest on related debt and general and administrative costs are expensed in the period incurred unless they relate to an extension of mineral reserves or a significant improvement in mining operations. In these instances, the expenditures related to the betterment are capitalized and are depleted on a unit-of-production basis over the remaining recoverable reserves.

Impairment of mineral properties and equipment

The carrying amounts of equipment and mineral properties are reviewed for impairment whenever facts and circumstances suggest that the carrying amounts may not be recoverable. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. The recoverable amount of an asset is determined as the higher of its fair value less cost to sell and its value in use. An impairment loss exists if the asset's carrying amount exceeds the recoverable amount and is recorded as an expense when identified. Where the asset does not generate cash flows that are independent from other assets, the recoverable amount of the property to which the asset belongs is determined.

Value in use is determined as the present value of the future cash flows expected to be derived from an asset or property. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. Fair value less cost to sell is the amount obtainable from the sale of an asset or property in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. For mineral properties, fair value less cost to sell is often estimated using a discounted cash flow approach as fair values from active markets or binding sale agreements are not readily available. Estimated future cash flows are calculated using estimated future prices, mineral reserves and resources, operating and capital costs. All assumptions used are those that an independent market participant would consider appropriate.

Impairments on equipment and mineral properties may be reversed in subsequent periods. When a reversal of impairment is recorded, the carrying value of the asset is increased to its recoverable amount which cannot exceed the carrying amount of the asset that would have existed had no impairment been recognized in prior periods. Any reversal of impairment is recognized as a component of profit or loss when identified.

Deferred financing costs

Expenditures directly related to share issuances are recorded as a deferred financing cost until such time as the shares are issued. When shares are issued, the deferred financing cost is recognized as a reduction of the net proceeds from the share issuance. If no shares are issued, these deferred financing costs are recognized as a component of profit or loss.

Current and deferred income taxes

Current taxes receivable or payable are estimated on taxable income for the current period at the statutory tax rates enacted or substantively enacted on the balance sheet date.

Deferred tax assets and liabilities are recognized based on the difference between the tax and accounting values of assets and liabilities and are calculated using enacted or substantively enacted tax rates for the periods in which the differences are expected to reverse. The effect of tax rate changes is recognized in earnings or equity, as the case may be, in the period of substantive enactment.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits of the relevant entity or group of entities, in a particular jurisdiction, will be available against which the assets can be utilized.

Reclamation provision

The Company recognizes a provision for environmental reclamation of its mineral properties in the period in which the Company becomes legally or constructively liable for future reclamation expenditures. The reclamation provision is initially measured as the present value of future expected reclamation cash flows, discounted using the risk-free interest rate prevailing at the time the liability is incurred, and a corresponding amount is recorded in the carrying value of the related mineral property.

Subsequent to initial measurement, the provision is re-measured using the risk-free interest rate prevailing on each reporting date. Changes to the carrying value of the provision for changes to the discount rate, or for changes to the timing and amount of expected future reclamation cash flows are recorded as an adjustment to the carrying value of the related mineral property. Changes to the carrying value of the provision from the accretion of its discounted value are recorded as a financing expense.

The Company has not recorded reclamation provisions as at December 31, 2015 or 2014.

Stock-based compensation

Stock options

The Company recognizes a stock-based compensation charge in operations for stock options granted to employees, officers and directors of the Company, as well as to external consultants. The stock-based compensation charge is based on the fair value of option awards granted, measured using the Black-Scholes option pricing model at the date of issue. The fair value of stock options granted is amortized to expense on a graded basis over the vesting periods of the option granted with an off-setting amount recorded in equity reserves. Any expense recorded for options that are forfeited because non-market vesting conditions are not satisfied is reversed in the period in which forfeiture occurs.

Restricted share units and performance shares

Certain restricted share units and performance shares are granted to employees or consultants to the Company vest and are settled by the issuance of common shares in the Company upon the achievement of non-market, performance milestones. The Company records an expense for those shares which it determines are likely to be issued, at the time that this determination is made. A corresponding equity reserve balance is recognized, which is reclassified to share capital when earned shares are issued. Should shares considered likely to be issued subsequently be considered not likely to be issued, an expense recovery and reversal of the reserve is recorded.

Warrants

Warrants issued by the Company typically accompany an issuance of shares in the Company, and entitle the warrant holder to exercise the warrants for a stated price and a stated number of common shares in the Company. The residual value of the warrants is measured as the incremental difference between the value of the combined share and warrant unit and the fair value of the stand-alone shares; the residual value attributed to warrants is recorded as a component of equity reserves. When warrants are exercised, the fair value of the exercised warrants is reclassified to share capital.

(Loss) earnings per share

Basic (loss) earnings per share is calculated using the weighted-average number of shares outstanding during the period. Diluted earnings per share reflects the dilutive effect of options, warrants and other convertible instruments. Under this method, the dilutive effect on earnings per share reflects the assumption that the proceeds from the exercise of options, warrants and other convertible instruments are used to purchase and cancel common shares at the average market price during the period. In periods that the Company reports a net loss, loss per share is not presented on a diluted basis, as the result would be anti-dilutive.

Judgments, estimates and measurement uncertainty

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts and presentation of assets, liabilities, revenues, expenses and disclosures of contingencies and commitments. Although these estimates are based on management's expectations for the likely outcome, timing and amounts of events or transactions, actual results may differ from these expectations and the corresponding amounts and disclosures reported in these financial statements.

Areas where management is required to make significant estimations or where measurements are uncertain are as follows:

i. Carrying value of mineral properties and equipment

The measurement, expected recovery and impairment of mineral properties and equipment are based on various judgments and estimates. For mineral properties, these include the technical and commercial feasibility of these properties, which incorporates various assumptions for mineral reserves, future mineral prices, and operating and capital expenditures for the properties. For equipment, such judgments and estimates include the useful lives of the assets, and the likely cash flows or commercial benefit such assets are likely to generate.

In addition to these factors, the carrying value and potential for impairment of mineral properties and equipment, also depends on management's expectation for the likely outcome of a property or use of an asset, which itself is dependent on factors such as availability of financing, obtaining regulatory approvals, and availability of buyers for the Company's mineral or other products.

Should there be differences between actual and anticipated mineral reserves, mineral revenues and costs, or should the Company no longer have the intention, resources, requisite approvals or customer base to develop or otherwise realize value from a mineral property or equipment, impairments may be recognized. If impairment factors which result in an impairment being recorded become favourable, a reversal on impairment may occur.

ii. Reclamation provision

The Company records a reclamation provision for the discounted present value of expected future expenditures, if any, required to environmentally reclaim its mineral properties. The measurement of this provision, if one exists, is based on estimates for the amounts and timing of future cash flows. Differences between actual cash flows and those estimated could result in the reclamation provision being over or understated.

iii. Taxation

Tax provisions are recognized to the extent that it is probable that there will be a future outflow of funds to a taxation authority. Such provisions often require judgment on the treatment of certain taxation matters that may not have been reported or assessed by the taxation authority at the date of these financial statements. Differences in judgment by the taxation authority could result in changes to actual taxes payable by the Company.

Deferred tax assets are recognized to the extent that it is probable that certain taxable losses or deferred expenditures will be utilized by the Company to reduce future taxes payable. The amount of deferred tax assets recognized, if any, is based on objective evidence that the Company will generate sufficient future taxable income to utilize these deferred assets, as well as the expected future tax rates that will apply to these assets. Changes to the Company's ability to generate sufficient taxable income or changes to enacted tax rates could result in the write-down of deferred tax assets, or the recognition of new deferred tax assets.

iv. Stock-based compensation

iv.i. Stock options

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options and standalone share purchase warrants granted. This model requires management to estimate the volatility of the Company's future share price, expected lives of stock options and warrants and future dividend yields. Consequently, there is significant measurement uncertainty in the stock-based compensation expense reported.

iv.ii. Restricted share units and performance shares

The determination of whether or not the achievement of performance milestones for restricted share units and performance shares is likely requires management to consider factors such as the likelihood of an employee or consultant remaining with the Company until requisite performance is achieved as well as external factors such as government regulations, financial market developments and industry trends which influence the milestones. Additionally, factors internal to the Company, such as the financial and strategic support for the achievement of the milestone must be considered. This determination is subject to significant judgment and changes to any of these factors or management's interpretation thereof, may result in expenses being recognized or previously recognized expense being reversed.

Adoption of new IFRS

The Company has applied the following new IFRS amendments starting January 1, 2015:

i. IFRS 3, Business Combinations

IFRS 3 was amended to provide clarification related to (i) contingent consideration in a business combination and (ii) scope exception for joint arrangements.

ii. IFRS 8, Operating Segments

IFRS 8 was amended to require (i) disclosure of judgments made by management in aggregating segments, and (ii) a reconciliation of segment assets to the entity's assets when segment assets are reported.

iii. IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets

IAS 16 was amended to classify how gross carrying amount and accumulated depreciation are treated where an entity uses the revaluation model.

iv. IAS 24, Related Party Transactions

IAS 24 was amended to (i) revise definition of "related party" to include an entity that provides key management personnel services to the reporting entity or its parent, and (ii) clarify related disclosure requirements.

The adoption of these amendments did not result in changes to amounts or note disclosures previously reported by the Company.

Future changes in accounting policies

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period. These standards are being assessed but are not expected to have a significant impact on the Company's consolidated financial statements:

i. IFRS 9, Financial Instruments

The IASB intends to replace IAS 39 – "*Financial Instruments: Recognition and Measurement*" in its entirety with IFRS 9 in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39. IFRS 9 requires that all financial assets be classified and subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities classified as at fair value through profit or loss, financial guarantees and certain other exceptions. IFRS 9 can currently be adopted voluntarily, but is mandatory for years beginning on or after January 1, 2018.

ii. IFRS 5, Non-current Assets Held for Sale and Discontinued Operations

IFRS 5 has been amended to add specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued. These amendments are effective for annual periods beginning January 1, 2016.

iii. IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted.

4. PREPAID EXPENSES AND CELLCUBE UNITS

Changes to the balance of prepaid expenses for the years ended December 31, 2015 and 2014 are as follows:

	Amount
	$
Balance, December 31, 2013	123,101
Advances towards future CellCube sales	442,882
Foreign exchange loss on advances towards future CellCube sales	(29,961)
Impairment of advances towards future CellCube sales	(412,921)
Net change in expense advances and rental and other deposits	8,358
Balance, December 31, 2014	131,459
Obligation towards future CellCube sales	2,358,989
Foreign exchange gain on advances towards future CellCube sales	13,733
Impairment of obligation towards future CellCube sales	(2,372,722)
Net change in expense advances and rental and other deposits	(125,042)
Balance, December 31, 2015	**6,417**

During the year ended December 31, 2014, the Company made a $338,512 non-refundable advance and accrued an additional $104,370 as partial payments towards future CellCube sales. No sales occurred and the Company did not have the required capital to make the remaining payments for the CellCube units, and, as a result, the Company recorded an impairment of prepayments made or accrued which totalled $412,921, net of a $29,961 foreign exchange adjustment. Should the Company receive definitive purchase orders, obtain financing to meet any future payments, or find an alternative realization of value from these payments, a full or partial reversal of the impairment may be recorded in future periods.

During the year ended December 31, 2015, the Company cancelled an insurance policy and recovered a deposit for office rent that had been paid for or accrued for as at December 31, 2014, resulting in a combined $64,788 reduction in the balance of prepaid expenses and deposits. Other changes to this balance are attributed to the amortization of insurance policies and the application of prepaid deposits against work performed in the period.

In addition to these items, during the year ended December 31, 2015, the Company received notice that additional CellCube units were ready for dispatch, triggering a net accrual of $2,358,989, for which an impairment charge has been recorded in the period. Should the Company receive definitive purchase orders, obtain financing to meet any future payments, or find an alternative realization of value from these payments, a full or partial reversal of the total incurred impairments of $2,785,643 may be recorded in future periods.

5. EQUIPMENT AND DEPOSITS ON EQUIPMENT

Changes to the Company's equipment balances are as follows:

	Field Equipment	Office Equipment	Vehicles	Total
	$	$	$	$
Cost				
Balance, December 31, 2013	41,655	62,086	41,118	144,859
Additions	-	1,736	-	1,736
Balance, December 31, 2014	41,655	63,822	41,118	146,595
Sale of equipment	-	(2,933)	(41,118)	(44,051)
Balance, December 31, 2015	**41,655**	**60,889**	**-**	**102,544**
Accumulated amortization				
Balance, December 31, 2013	38,317	19,517	28,626	86,460
Additions	3,338	17,010	8,279	28,627
Balance, December 31, 2014	41,655	36,527	36,905	115,087
Sale of equipment	-	-	(36,905)	(36,905)
Additions	-	24,362	-	24,362
Balance, December 31, 2015	**41,655**	**60,889**	**-**	**102,544**
Carrying value				
December 31, 2013	3,338	42,569	12,492	58,399
December 31, 2014	-	27,295	4,213	31,508
December 31, 2015	**-**	**-**	**-**	**-**

Deposits on equipment

In addition to the equipment balances above, as at December 31, 2015, the Company had incurred a total of $1,004,036 in non-refundable instalments towards CellCube units which were to be held by the Company for demonstration purposes, with the possibility of future resale as inventory, or as prepayments on future sales. As a result of insufficient capital to complete these demonstration projects and to meet final instalment payments required on the CellCube units, the Company recorded a $1,004,036 impairment expense to the carrying value of these deposits in the year ended December 31, 2014. Should the Company obtain sufficient capital in the future in order to meet remaining payments for these units, or should alternative financial value from these deposits be realized, the impairment may be partially or fully reversed in future reporting periods.

6. MINERAL PROPERTIES

Summary of properties

a) Gibellini Property, Nevada, U.S.

In March 2006, the Company entered into a Mineral Lease Agreement to acquire certain unpatented lode mining claims. The Company was required to pay quarterly lease fees of US$30,000, with such payments being credited towards a net smelter royalty ("NSR") that would be triggered if production from the property was achieved. As of December 31, 2015, the Company has paid a total of US$1,080,000 in these fees and owed an additional US$120,000 for four lease payments, which is included in accounts payable and accrued liabilities. The lease agreement expired in March 2016.

In December 2006, the Company entered into a Mineral Lease Agreement to acquire additional unpatented lode mining claims, paying US$9,000 upon the execution of the agreement. Additionally, the Company must pay an escalating series of annual lease payments, which had increased to US$24,000 as of December 31, 2015. As of December 31, 2015, the Company has paid a total of US$167,000 and owed US$24,000 for one lease payment, which is included in accounts payable and accrued liabilities. The lease agreement expires in December 2016 unless renewed.

In April 2007, the Company entered into a Mineral Lease Agreement to acquire further unpatented lode mining claims, paying US$10,000 upon the execution of the agreement and committing to annual lease payments of US$15,000. In 2011, the Company acquired full ownership of these claims for a cash payment of US$50,000 and the issuance of 25,000 of its common shares valued at $33,750, in addition to US$60,000 in cumulative annual payments made prior to acquisition, thereby eliminating future advance royalty payments. The Company is required to make annual payments to maintain these claims.

As at December 31, 2014, the Company had staked certain unpatented lode claims and placer claims. During the year ended December 31, 2015, the Company allowed certain of those claims considered non-core to lapse. As at December 31, 2015, the Company continues to hold its core claims in good standing, but the Company is required to make annual payments to maintain these claims.

As at December 31, 2014, the Company was party to an agreement for water rights, requiring an annual option payment of US$125,000. During the year ended December 31, 2015, the Company terminated this agreement, without incurring further charges.

b) Del Rio Property, Nevada, U.S.

In 2010, the Company acquired a number of claims through the staking process. During the year ended December 31, 2015, the Company allowed certain non-core claims to lapse. As at December 31, 2015, the Company continues to hold its core claims in good standing, but the Company is required to make annual payments to maintain these claims.

c) Hot Creek Property, Nevada, U.S.

In 2010, the Company acquired certain claims through the staking process. During the year ended December 31, 2015, the Company allowed all of its Hot Creek claims to lapse.

Acquisition costs

As at December 31, 2015 and prior periods, the carrying values of mineral properties were comprised solely of capitalized acquisition costs for mineral and related water rights. Changes to these carrying values are as follows:

	Gibellini	Del Rio	Hot Creek	Total
	$	$	$	$
As at December 31, 2013	1,868,430	39,683	9,171	1,917,284
Additions	236,279	-	-	236,279
Impairment of mineral properties	(2,063,074)	(39,683)	(9,171)	(2,111,928)
As at December 31, 2014	41,635	-	-	41,635
Additions	253,201	-	-	253,201
Impairment of mineral properties	(294,835)	-	-	(294,835)
As at December 31, 2015	**1**	**-**	**-**	**1**

The Company has capitalized, rather than expensed, payments for mineral and related water rights on the basis that holding title to the related properties and water rights allows the Company to develop these properties in the future. Acquiring and maintaining title to mineral properties involves certain inherent risks due to difficulties in determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties.

Impairment of mineral properties

During the year ended December 31, 2015, the Company recognized an impairment charge of $294,835 (2014 - $2,111,928) to the carrying value of its mineral properties. The assessment of the carrying value of these properties was generally triggered by unfavourable market conditions for exploration-stage companies. Owing to these market conditions, the Company does not have sufficient capital to fund metallurgical, permitting and other property initiatives, and has slowed these initiatives significantly throughout 2015.

Coupled with adverse financing conditions, which have led to reductions in exploration activities on the Company's mineral properties, market prices for vanadium have persisted at lower levels than those required for commercial production. As a result, the Company impaired its Gibellini property to a carrying value of $1 as at December 31, 2015, and the Del Rio and Hot Creek properties have been previously impaired to $nil carrying values.

Exploration and evaluation expenses

During the year ended December 31, 2015, exploration and evaluation expenses incurred on the Company's mineral properties were as follows:

	Gibellini	Del Rio	Hot Creek	Total
	$	$	$	$
Environmental permitting	59,726	-	-	59,726
Metallurgy	54,807	-	-	54,807
General	25,865	-	-	25,865
Labour and benefits	42,826	-	-	42,826
Satellite office	10,925	-	-	10,925
Property maintenance	59,408	797	-	60,205
Feasibility study	32,794	-	-	32,794
	286,351	**797**	**-**	**287,148**

During the year ended December 31, 2014, exploration and evaluation expenses incurred on the Company's mineral properties were as follows:

	Gibellini	Del Rio	Hot Creek	Total
	$	$	$	$
Environmental permitting	851,951	-	-	851,951
Metallurgy	748,022	-	-	748,022
Engineering, procurement and construction management	252,752	-	-	252,752
General	226,996	-	-	226,996
Geotechnical	15,485	-	-	15,485
Labour and benefits	189,931	-	-	189,931
Leach pad design	94,576	-	-	94,576
Satellite office	103,300	-	-	103,300
Property maintenance	90,369	19,864	3,204	113,437
Drilling and trenching	2,518	-	-	2,518
Feasibility study	39,153	-	-	39,153
	2,615,053	**19,864**	**3,204**	**2,638,121**

7. SHAREHOLDER LOAN AND OTHER LIABILITIES

In December 2015, the Company received $200,000 from a shareholder of the Company under a promissory note that is payable on demand and which accrues interest at a rate of 1% per annum.

During the year ended December 31, 2015, the Company recognized a gain of $73,942 from the write-off of an accrued liability as a result of a determination that the related obligation no longer exists. An expense for the obligation had been recorded in a prior period, so the write-off has accordingly been recorded in profit or loss.

8. SHAREHOLDERS' DEFICIENCY

Share capital

Authorized

Unlimited number of common voting shares with no par value.

Issued and outstanding

	Number of Common Shares	Amount
		$
Outstanding, December 31, 2013	47,170,198	24,097,538
Issued through private placements, net of share issuance costs	16,060,000	5,710,958
Issuance of bonus shares and performance shares	620,000	282,375
Issued on exercise of warrants	13,800	9,674
Outstanding, December 31, 2014	63,863,998	30,100,545
Issued through private placements, net of share issuance costs	3,014,285	202,100
Issued to settle accounts payable	919,407	64,358
Issued to settle mineral property claims	418,423	29,290
Issued on contract termination	30,000	2,400
Outstanding, December 31, 2015	**68,246,113**	**30,398,693**

Private placements

On March 6, 2014, the Company completed the first tranche of a non-brokered private placement of 10,000,000 common share units at a price of $0.40 per unit for gross proceeds of $4,000,000. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitled the holder to purchase an additional common share at a price of $0.60 until March 6, 2016. The full value of these units is attributed to the value of the common shares. Transaction costs for this tranche, which include legal and other fees, totalled $84,629.

On May 8, 2014, the Company completed the second tranche of the private placement for an additional 2,500,000 common share units at a price of $0.40 per unit for gross proceeds of $1,000,000. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant for the second tranche entitles the holder to purchase an additional common share at a price of $0.60 until May 8, 2016. The full value of these units is attributed to the value of the common shares. An additional 93,375 agents' warrants with a fair value of $12,043 were granted to agents for the second tranche. Transaction costs for this tranche, which include the value of agents' warrants, finder's fees, legal fees, and exchange and other fees, totalled $87,251.

On December 30, 2014, the Company completed a non-brokered private placement of 3,560,000 common share units at a price of $0.25 per unit for gross proceeds of $890,000. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase an additional common share at a price of $0.40 until December 30, 2016. The full value of these units is attributed to the value of the common shares. An additional 7,200 agent's warrants were issued as part of this private placement with a fair value of $161. Transaction costs for the private placement, which include cash commissions, and legal and other fees, totalled $7,161.

On April 23, 2015, the Company completed a non-brokered private placement of 3,014,285 common share units at a price of $0.07 per unit for gross proceeds of $211,000. Each unit consisted of one common share and one-half of one common share purchase warrant. The full value of these units is attributed to the value of the common shares. Each whole common share purchase warrant entitled the holder to purchase an additional common share at a price of $0.12 until April 23, 2016. An additional 15,000 agent's warrants were issued as part of this private placement with a fair value of $245. Transaction costs for the private placement, which include legal and other fees, totalled $8,655.

In April and May 2015, the Company issued 30,000 shares valued at $2,400 ($0.08 per share) to a consultant on the termination of a consulting agreement and settled $93,648 in accounts payable and outstanding mineral leases through the issuance of 1,337,830 shares at a fair value of $0.07 per share.

As at December 31, 2015, the Company had received proceeds of $64,427 for shares that had not yet been issued. Subsequent to December 31, 2015, the Company completed a non-brokered private placement of 805,332 common share units at a price of $0.08 per unit for gross proceeds of $64,427. Each unit consists of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase an additional common share at a price of $0.10 until January 20, 2018.

Restricted share units ("RSUs")

The Company has an RSU plan, adopted in fiscal 2013, allowing the Board of Directors of the Company, at its discretion and in accordance with the requirements of the Exchange, to grant to directors, officers, employees and consultants to the Company, non-transferable RSUs. Upon meeting certain operational milestones or other vesting conditions, the RSUs will be exchanged for common shares in the Company for the recipient's benefit. RSUs will expire three years from grant if performance-based vesting conditions are not met.

The maximum number of RSUs that can be issued under the RSU plan is 3,500,000 and the combined maximum number of common shares issuable under the RSU and stock options plans shall not exceed a rolling 10% of the Company's issued and outstanding number of common shares. The Company may grant, subject to Exchange approval, compensatory shares or RSUs outside the RSU plan, which may have different characteristics than those permitted by the plan.

As at December 31, 2014, the Company had 200,000 RSUs outstanding under the RSU plan, none of which had vested. In the year ended December 31, 2015, these RSUs were cancelled upon the termination of the related employment agreement. Consequently, no RSUs are outstanding as at December 31, 2015.

Bonus and performance shares

Subject to any required shareholder or regulatory approvals, the Company may, outside the RSU plan, grant bonus or performance shares to employees or consultants. These shares may be issued unconditionally ("Bonus Shares"), or may be issued subject to meeting certain performance or retention criteria ("Performance Shares"). For Bonus Shares, an expense is recorded on their grant date equivalent to the prevailing fair market value of the shares. For Performance Shares, an expense is recorded for the grant date fair market value those shares expected to be earned, which is recognized rateably over their anticipated vesting period. The expense recognized for Performance Shares and Bonus Shares results in a corresponding increase to the Company's equity reserves, which is then reclassified to share capital on actual issuance of the related earned shares.

Changes to the balances of Bonus and Performance Shares are as follows:

	Number of Shares
Outstanding, December 31, 2013	960,000
Share awards granted	410,000
Shares issued	(620,000)
Outstanding, December 31, 2014	750,000
Share awards cancelled	(750,000)
Outstanding, December 31, 2015	**-**

As at December 31, 2014, there were 750,000 Performance Shares outstanding whose release was subject to certain performance or retention conditions being fulfilled. The Company recognized an expense of $105,637 for the year ended December 31, 2014, with the same amount being recorded in equity reserves as at December 31, 2014 related to those shares which were considered highly likely to vest.

During the year ended December 31, 2015, all 750,000 Performance Shares were cancelled upon the termination of certain employment and consulting agreement. As a result, the Company recorded a reversal $112,216 of stock-based compensation expenses previously recorded for these Performance Shares in the year ended December 31, 2015.

Subsequent to December 31, 2015, the Company issued 200,000 Bonus Shares to a consultant of the company for services provided.

Warrants

Changes to the balance of warrants outstanding are as follows:

	Number of Warrants	**Weighted Average Exercise Price**	**Weighted Average Fair Value**
		$	**$**
Outstanding, December 31, 2013	14,157,415	0.76	0.04
Warrants expired	(8,273,715)	0.74	0.06
Warrants issued as part of common share units	8,030,000	0.56	0.00
Warrants issued as agents' and finders' fees	100,575	0.59	0.12
Warrants exercised	(13,800)	0.60	0.09
Outstanding, December 31, 2014	14,000,475	0.66	0.00
Warrants expired	(5,869,900)	0.80	0.01
Warrants issued as part of common share units	1,507,143	0.12	0.00
Warrants issued as agents' and finders' fees	15,000	0.12	0.02
Outstanding, December 31, 2015	**9,652,718**	**0.49**	**0.00**

The fair value of agent's and finder's warrants issued on a stand-alone basis is determined using the Black-Scholes option-pricing model. Inputs to the Black-Scholes model for these warrants are as follows:

	For the year ended December 31, 2015	For the year ended December 31, 2014
Risk-free interest rate	**0.66%**	1.06%
Dividend yield	**0%**	0%
Expected stock price volatility	**92.36%**	64.46%
Expected life	**1.00 year**	1.17 years

The following warrants were outstanding and exercisable as at December 31, 2015:

Expiry date	**Exercise Price**	**Number of Warrants Outstanding and Exercisable**
	$	
March 6, 2016*	0.60	5,000,000
April 23, 2016*	0.12	1,522,143
May 8, 2016	0.60	1,343,375
December 30, 2016	0.40	1,787,200
		9,652,718

* Subsequent to December 31, 2015, these warrants expired unexercised.

Stock options

The Company adopted an incentive stock option plan which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the requirements of the Exchange, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. Such options will be exercisable for a period of up to five years from the date of grant. Vesting terms are determined by the Board of Directors at the time of grant.

During the year ended December 31, 2015, the Company recorded $77,831 (2014 - $329,701) in stock-based compensation expense for the value of stock options vested. An offsetting amount has been recorded in equity reserves.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Stock Options	**Weighted Average Exercise Price**	**Weighted Average Fair Value**
		$	**$**
Outstanding, December 31, 2013	3,889,250	0.73	0.45
Options granted	1,080,000	0.60	0.23
Options cancelled or forfeited	(756,750)	1.14	0.77
Outstanding, December 31, 2014	4,212,500	0.62	0.33
Options granted	3,102,500	0.10	0.02
Options expired	(1,065,000)	0.42	0.31
Options cancelled or forfeited	(2,495,000)	0.64	0.35
Outstanding, December 31, 2015	**3,755,000**	**0.24**	**0.09**

The fair values of the stock options granted during the years ended December 31, 2015 and December 31, 2014 were estimated using the Black-Scholes option pricing model. The weighted average assumptions used in the pricing model for these options are as follows:

	For the year ended December 31, 2015	For the year ended December 31, 2014
Risk-free interest rate	**0.57%**	1.16%
Dividend yield	**0%**	0%
Expected stock price volatility	**82.15%**	80.20%
Expected forfeiture rate	**18.27%**	16.63%
Expected life	**2.63 years**	2.96 years

The following incentive stock options were outstanding and exercisable at December 31, 2015:

Expiry date	**Exercise Price**	**Number of Options Outstanding**	**Number of Options Exercisable**
	$		
February 6, 2017	0.77	40,000	40,000
June 15, 2017	0.74	100,000	100,000
November 4, 2018	0.10	67,500	67,500
November 4, 2018	0.60	395,000	395,000
December 2, 2018	0.10	40,000	40,000
April 29, 2019	0.10	110,000	110,000
May 30, 2019	0.60	250,000	250,000
July 10, 2019	0.60	200,000	200,000
April 16, 2020	0.10	2,432,500	2,232,500
May 6, 2020	0.10	95,000	71,250
June 8, 2020	0.10	25,000	18,750
		3,755,000	**3,525,000**

9. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2015, a $78,000 (2014 - $78,000) expense was recorded for office facilities, corporate and administrative services provided by Earlston Management Corp. (“Earlston”), a company with officers and directors in common with Company. Additionally, $41,000, recorded as share issuance costs, was paid to Earlston for fees related to a private placement of common shares in the year ended December 31, 2014. No such fee was paid during the year ended December 31, 2015. As at December 31, 2015, $96,445 is included in accounts payable and accrued liabilities (December 31, 2014 - $22,276) for amounts owing to Earlston.

Included in prepaid expenses as at December 31, 2015 is $nil (December 31, 2014 - $10,000) advanced to Bill Radvak, the Chief Executive Officer of the Company for corporate expenses to be incurred on the Company’s behalf. Included in accounts payable and accrued liabilities as at December 31, 2015 is $145,000 (December 31, 2014 - $nil) owing to this officer for salaries and benefits and $20,371 (December 31, 2014 - $8,193) for travel expense claims.

Included in accounts payable and accrued liabilities as at December 31, 2015 is $19,800 (December 31, 2014 - $12,600) owing to Mike Doyle, the former Executive VP, Operations; and $nil (December 31, 2014 - $5,996) owing to Ron Espell, the former VP, Environmental.

During the year ended December 31, 2014, a $60,000 expense was recorded for consulting services provided by Cansource International Enterprises Inc., a company jointly controlled by Ron MacDonald, a former director of the Company. No such amounts were incurred for the year ended December 31, 2015.

In addition to the aforementioned related party transactions, salaries and benefits and other compensation earned directly by key members, being the Company's management and directors are as follows:

	For the Year Ended December 31, 2015	For the Year Ended December 31, 2014
	$	$
Salaries and benefits	**242,520**	481,600
Consulting fees	**9,207**	179,572
Stock-based compensation recognized	**92,617**	226,592
Total compensation	**344,344**	887,764

10. SEGMENTED INFORMATION

The Company operated in two reportable segments during the years ended December 31, 2015 and 2014:

1. Mineral property acquisition and exploration, which includes assets and expenses related to the Company's mineral properties; and

2. The sale of CellCube energy storage systems, which includes the purchase of demonstration systems, sales and marketing costs and related labour.

These segments are managed separately and have distinct assets, expenses and staff and a break-down of the Company's operating segments, is as follows:

	Net Loss and Comprehensive Loss*	
	For the Year Ended December 31, 2015	For the Year Ended December 31, 2014
	$	$
Mineral acquisition and exploration	**581,983**	4,750,047
CellCube energy storage systems	**2,372,722**	1,551,499
General corporate	**917,748**	4,261,995
Total	**3,872,453**	10,563,541

* Neither operating segment has earned any revenues as of December 31, 2015, so net loss and comprehensive loss includes only segment expenses. Expenses for mineral acquisition and exploration for include the exploration and evaluation expenses as well as impairments and write-offs of mineral properties, the deferred engineering management deposit and water rights. Expenses for the CellCube energy storage segment includes expenses for CellCube demonstration and impairments on advances towards future CellCube sales, equipment and deposits on equipment.

	Non-current, Non-financial Assets as at	
	December 31 2015	December 31 2014
	$	$
Mineral acquisition and exploration	**1**	41,637
General corporate	**-**	31,508
Total	**1**	73,145

11. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	For the year ended December 31, 2015	For the year ended December 31, 2014
	$	$
Net loss	**(3,872,453)**	(10,563,541)
Expected income tax (recovery) at statutory tax rates	**(1,007,000)**	(2,747,000)
Change in statutory, foreign tax, foreign exchange rates and other	**(1,149,000)**	(1,053,000)
Permanent differences	**95,000**	517,000
Share issue costs	**(2,000)**	(43,000)
Changes in unrecognized deductible temporary differences	**2,063,000**	3,326,000
Total income tax recovery	**-**	-

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	December 31 2015	December 31 2014
	$	$
Deferred tax assets:		
Mineral properties	**5,532,000**	5,481,000
Equipment	**21,000**	14,000
Share issue costs	**62,000**	125,000
Non-capital losses	**7,319,000**	5,251,000
Total deferred tax assets	**12,934,000**	10,871,000
Deferred tax assets not recognized	**(12,934,000)**	(10,871,000)
Net deferred tax assets	**-**	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statements of financial position are as follows:

	December 31 2015	Expiry Date Range	December 31 2014	Expiry Date Range
	$		$	
Mineral properties	**16,272,000**	No expiry date	16,121,000	No expiry date
Equipment	**72,000**	No expiry date	46,000	No expiry date
Share issue costs	**237,000**	2035-2039	482,000	2035-2038
Non-capital losses	**24,733,000**	2027-2035	17,844,000	2027-2034

Tax attributes are subject to review, and potential adjustment, by tax authorities.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at December 31, 2015, the Company's financial instruments comprise cash, amounts receivable, reclamation deposits, accounts payable and accrued liabilities and a shareholder loan. With the exception of cash, all financial instruments held by the Company are measured at amortized cost. The fair values of these financial instruments approximate their carrying value due to their short-term maturities. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

	Level 1	Level 2	Level 3
	$	$	$
Cash	180,076	-	-

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and interest rate risk.

Currency risk

A portion of the Company's expenses are incurred in United States dollars and financial instrument balances are held in this currency. A significant change in the currency exchange rates between the Canadian dollar relative to the United States dollar could have a negative effect on the Company's results of operations, financial position or cash flows.

As at December 31, 2015, the Company held US$1,317,862, in net financial liabilities denominated in United States dollars. A prolonged 10% increase (decrease) in the value of the Canadian dollar compared with the United States dollar would result in a $182,392 foreign exchange gain (loss) based on United States dollar denominated net financial liabilities as at December 31, 2015. The Company has not hedged its exposure to currency fluctuations as at December 31, 2015

As at December 31, 2015, the Company's net financial liabilities included accounts held in European Euros totalling €2,041,992. A prolonged 10% increase (decrease) in the value of the Canadian dollar compared with the Euro would result in a $309,288 foreign exchange gain (loss) based on Euro denominated net financial liabilities as at December 31, 2015.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and amounts receivable. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company does not have cash that is invested in asset backed commercial paper.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a working capital deficiency as at December 31, 2015 and additional financing is required for the Company to settle its existing obligations and fund future obligations. As such, the Company is exposed to liquidity risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company's cash is currently held in short-term interest bearing accounts which pay relatively low rates of interest, the Company considers the interest rate risk to be limited.

13. CAPITAL MANAGEMENT

The Company manages its capital, which comprises the components of shareholders' deficiency, and makes adjustments to it, based on the funds available to the Company, in order to support its operating activities. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

In the year ended December 31, 2015, an inability to raise sufficient financing resulted in the Company making operational changes such as headcount reductions and slowing of work conducted on Gibellini in order to reduce costs. Should these funding challenges persist, the Company will be required to make further operational changes.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company is not subject to externally imposed capital requirements.

14. LOSS PER SHARE

The numerators and denominators of basic and diluted loss per share for the years ended December 31, 2015 and December 31, 2014 are as follows:

	For the year Ended December 31, 2015	For the year Ended December 31, 2014
Net loss (numerator)	**$(3,872,453)**	$(10,563,541)
Basic and diluted weighted average number of common shares outstanding (denominator)	**66,816,399**	57,312,046
Basic and diluted loss per share	**$(0.06)**	$(0.18)

The Company incurred net losses for all periods reported, so no dilutive impact of in-the-money stock options and warrants has been included in the calculation of diluted weighted average number of common shares outstanding.